



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NELSON COUNTY SHERIFF**

November 6, 1998 through December 31, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Dean Watts, County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Nelson County, Kentucky, for the period November 6, 1998 through December 31, 1998. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff was required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the period November 6, 1998 through December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Dean Watts, County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 23, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 23, 1999

NELSON COUNTY
 MIKE NEWTON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

November 6, 1998 through December 31, 1998

Receipts

State Grants	\$	2,787
State Fees For Services:		
Finance and Administration Cabinet		3,765
Circuit Court Clerk:		
Sheriff Security Service	\$	1,651
Fines and Fees Collected		<u>3,767</u>
		5,418
Fiscal Court		3,544
County Clerk - Delinquent Taxes		610
Commissions on Taxes		236,954
Fees Collected For Services:		
Auto Inspections	\$	1,370
Accident and Police Reports		13
Carrying Concealed Deadly Weapons Permits		627
Serving Papers		4,529
Transporting Prisoners		30
Transporting Patients		<u>112</u>
		6,681
Other:		
Miscellaneous		2,627
Interest Earned		3,447
Borrowed Money:		
Loan From Fiscal Court		<u>30,000</u>
Gross Receipts (Carried Forward)	\$	295,833

NELSON COUNTY
 MIKE NEWTON, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 November 6, 1998 through December 31, 1998
 (Continued)

Gross Receipts (Brought Forward)	\$	295,833
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Disbursements

Personnel Services-

Deputies' Gross Salaries	\$	21,024
Part-Time Gross Salaries		2,108
Overtime Gross Salaries		7,406

Employee Benefits-

Employer's Share Social Security		2,759
Employer's Share Retirement		108

Materials and Supplies-

Office Materials and Supplies		827
Uniforms		2,097

Auto Expense-

Gasoline and Maintenance		2,568
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Other Charges-

Conventions and Travel		106
Carrying Concealed Deadly Weapons Permits		400
Dues		1,170
Equipment Maintenance		110
Insurance		3,546
Postage		10
Transporting Prisoners		177
Miscellaneous		3,380

Debt Service:

State Advancement (Note 4)		80,440
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Borrowed Money:

Repayment of Loan From Fiscal Court		30,000
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Total Allowable Disbursements		<u>158,236</u>
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Net Receipts	\$	137,597
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Less: Statutory Maximum		<u>8,121</u>
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Excess Fees Due County	\$	129,476
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Payment to County Treasurer - July 27, 1999		<u>129,476</u>
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Balance Due County at Completion of Audit	\$	<u><u>0</u></u>
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The accompanying notes are an integral part of the financial statement.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.69 percent.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Court Ordered Payment

In calendar year 1998, former Sheriff Jimmy Riley was granted a court ordered payment for \$6,072. The former Sheriff did not collect any 1998 taxes. The \$6,072 was used to repay a portion of his state advancement.

Mike Newton was appointed Sheriff and took office November 6, 1998, and took over responsibility for repayment of the remainder of the state advancement and accounting for the court ordered \$6,072 payment. He repaid the remaining balance of the state advance in the amount of \$80,440.

Note 5. Pending Litigation

There is pending litigation in the Nelson Circuit Court against the Sheriff's Department and former Sheriff Jimmy Riley for sexual discrimination. The plaintiff, a female part-time deputy sheriff at the time (charged with the duty of checking the entrance metal detector) had applied for a full time position with the Sheriff's office. She was not reclassified into the full time position. There is no applicable liability insurance to cover this case. The former Sheriff, who was the defendant to this litigation, is now deceased. Because of the nature of the case, a danger does exist of a substantial judgment whether or not the case is supported by the evidence. The case as of this date has not been set for trial. It is extremely doubtful of any out of court settlement.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Dean Watts, County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Nelson County Sheriff for period November 6, 1998 through December 31, 1998, and have issued our report thereon dated July 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nelson County Sheriff's financial statement for the period of November 6, 1998 through December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nelson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Dean Watts, County Judge/Executive
Honorable Mike Newton, Nelson County Sheriff
Members of the Nelson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 23, 1999

